About The Manitoba Lotteries Foundation

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The Manitoba Lotteries Foundation (MLF) is a crown agency of the provincial government answering to the Minister responsible for Lotteries. Its mandate is to manage, operate and license gaming activities within Manitoba. Its aim is to maximize long term economic returns to the province while maintaining a high level of business integrity and social responsibility.

Administered by a board of directors appointed from the community, the MLF is responsible for all lottery and gaming activities in the province, with the exceptions of raffles offering prizes under $3,000, which are licensed by municipalities and the City of Winnipeg, and betting on horse races.

A pacesetter in the gaming industry, the MLF manages and operates a year-round casino and two bingo halls in Winnipeg, and licenses bingos, raffles, calcutta auctions, midways, wheels of fortune, Monte Carlo casinos, and the sale of breakopen tickets. It also distributes breakopen tickets and bingo paper throughout the province.

The MLF distributes and sells tickets for lotteries operated by the Western Canada Lottery Corporation and the Interprovincial Lottery Corporation. The MLF is represented on the boards of both corporations.

The MLF was created in March 1973, generating $311 million dollars since that time to support numerous charitable and religious organizations.

Through the Lotteries Distribution System, revenue from lotteries and gaming activities support health care and medical research, conservation, the arts, fitness and sports, community services, heritage, recreation, and ethnocultural initiatives.

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September 14, 1990

Honourable Bonnie Mitchelson
Minister responsible for Lotteries
Legislative Building
Winnipeg, Manitoba

Madam:

I have the honour to present you with the annual report of the Manitoba Lotteries Foundation for the fiscal year ended March 31, 1990.

Respectfully submitted,

Glenda Russell

Mrs. Glenda Russell
Chairman
Board of Directors
Manitoba Lotteries Foundation

Chairman's Message

Fiscal year 1989-90 was a challenging year for the Manitoba Lotteries Foundation (MLF). Since its inception as a crown agency in March 1983, the MLF has been in a position to report ever increasing earnings. This rate of increase has been diminishing as the lottery market matures. The MLF earned $54.3 million in fiscal year 1989-90, which represents a $2.7 million decline in earnings — its first ever.

The MLF has introduced a number of major initiatives that will result in a significant positive impact on earnings in future years.

On December 29, 1989, the MLF opened the Crystal Casino, North America's first year-round, European-style casino, located in Winnipeg's historic Hotel Fort Garry. The Board is justifiably proud of the Crystal Casino. In the first three months of operation 114,000 guests experienced an exciting array of classic casino games including Blackjack, Roulette, La Boule, Baccarat and a colourful variety of slot machines. Casino profits, projected at $10 million per fiscal year, will contribute substantially to next year's increase in earnings and provide a significant increase in special health care funding for Manitobans.

The MLF was the first Canadian lottery organization to sell breakopen games when it took over the licensing, distribution and control of tickets in 1984. The development of new products such as the Blue and Gold breakopen tickets, available for sale at all Winnipeg Blue Bomber home games at the Winnipeg Stadium, and the development of our medical research theme ticket, Medi Cash, marketed in new areas such as cabarets and cocktail lounges, will keep us at the leading edge of changes in the industry. These new theme tickets are designed to increase awareness and funding for health and non-profit organizations in the years to come.

As a result of the operational tests conducted during the last quarter of the fiscal year, the Western Canada Lottery Corporation, in co-operation with the MLF, will be introducing Sport Select in 1990, an exciting new product line with strong growth potential. Sport Select will initially include two games: Pro Line and Excel Hockey. In each game, players win cash prizes for correctly predicting the results of professional hockey games. These two games reflect important elements of the current, popular office pools. While traditional lottery products are moving to maturity, they should provide a significant boost to future earnings.

The creation of Canada's first ever Indian gaming commission - The Pas Indian Band Gaming Commission - is a precedent for Canada and has paved the way for negotiations with other Indian Bands. The Board views this as an important step in ensuring that all gaming in Manitoba is protected through uniform terms and conditions and accountability while recognizing the existing treaty and aboriginal rights of the aboriginal peoples of Canada.

Concerned over the need for more interaction between government agencies and the people of Manitoba, board members attended a series of informational evenings to offer licensees an "open forum" to exchange ideas. A total of 40 meetings were held, from Morris to Churchill, including Winnipeg. The series ran from December to March producing a variety of concerns, comments and constructive feedback from volunteers representing several hundred licensed organizations and groups.

The Board was actively involved in issuing 1331 licenses to charitable and religious organizations to operate raffles, bingos, breakopen tickets, calcutta auctions, wheels of fortune, and Monte Carlo events.

A sub-committee of the board reviewed the recommendations of the consultants undertaking the Needs Assessment, a study to determine the effectiveness of the lottery funding system. The study resulted in the implementation of a revised lottery funding system April 1, 1990. The changes are in the way lottery revenue is administered, not in the overall philosophy of how monies are spent. Lottery revenue is now channelled to non-profit community organizations through funding umbrellas working cooperatively with government departments. This new system will enhance financial accountability as the funding Umbrellas - Manitoba Arts Council, Manitoba Heritage Federation, Multicultural Grants Advisory Council, Manitoba Sports Federation, Manitoba Community Services Council - register their financial estimates through government departments.

An organization's most important resource is its people. This is especially true at the MLF. It is through the efforts of individuals that the MLF accomplishes its corporate vision.

The values at the heart of the MLF, namely: quality, integrity, team work and responsiveness, are essential ingredients to the MLF's continued success.

The Board is most appreciative of the vital contributions made by the MLF's experienced and dedicated people and their enthusiastic support of MLF values. In particular, we would like to thank Mr. Garth Manness. He served as General Manager from December 1980 until December of this year when he took the position of General Manager of the Western Canada Lottery Corporation. His leadership was instrumental in the MLF's accomplishments throughout the decade.

"An organization's most important resource is its people."

We look forward to maintaining the integrity of the gaming industry in Manitoba and meeting its challenges throughout the next decade.

Glenda Russell

Glenda Russell
Chairman of the Board

General Manager's Report

The annual report describes a challenging but successful year during which the Manitoba Lotteries Foundation (MLF) continued to provide a broad range of important services to the Manitoba gaming industry and was able to increase the public's confidence in the operation of lotteries and gaming.

The MLF's mission as a crown agency of the Province of Manitoba is to manage and conduct gaming and related activities to maximize long term returns to the government while maintaining a high level of business integrity and social responsibility.

This mission statement embodies two distinct yet related roles: that of directly managing gaming operations such as the Crystal Casino, Bonanza Bingo and Pot o' Gold Bingo and that of the licensing of charitable and religious organizations to conduct gaming activities on their own.

The MLF has been a leader in changing the face of gaming in Manitoba. First, by assuming the direct operation of Winnipeg's commercial bingo halls to ensure that operating expenses were kept to a minimum and the proceeds to charitable organizations were maximized, and now by operating North America's first year-round, European-style casino.

The Crystal Casino is a great success. It has been directly responsible for the creation of 150 full time jobs in Manitoba and is an exciting tourist attraction with twenty-five percent of its guests being visitors to the City of Winnipeg. With projected earnings of $10 million per fiscal year, it is also an important source of new funding for special health care projects.

The regulatory arm of the MLF continued to assist organizations in their fundraising efforts by establishing regulations that provide accountability and adequate controls; ensure profits to charitable organizations are maximized; and ensure lottery activities are conducted in a manner which is fair to the public. During this fiscal year 1331 license applications were presented to the Board for its review. As well, the MLF monitored the operations of 1753 licensed events, processed over 5000 financial reports and handled over 15,000 inquiries on gaming.

During the year, the MLF was actively engaged in seeking out ways it could become more efficient and effective. Computer solutions for the licensing information system and the casino financial system were implemented and electronic data processing of financial information is being planned for the bingo operations.

The overriding objective at the MLF is to provide all customers with excellent service, with particular focus on individual customer satisfaction. During the year this attitude was reinforced with customer service training sessions. Staff attitudes and actions that are customer responsive are fundamental to all activities, and are emphasized throughout the organization, as are the values of quality, integrity and team work.

The MLF hosted its second Annual Retailers' Convention on March 16 and 17, 1990 at the Holiday Inn (Downtown), Winnipeg. A total of 300 retailers and support staff attended this two day convention which gave participants an opportunity to meet with fellow retailers, learn more about lotteries and new product ideas and improve their sales through customer service.

During the year the MLF was actively involved in a number of training programs to help improve the sales and profit levels of its lottery retailer base. Training was held in all areas of the province with 1104 people being trained and 250 classes being conducted.

Over 1000 people from all over Manitoba participated in a series of community meetings held by the MLF. These meetings were a concrete step in getting to know our customers and enhance the quality of service we can provide.

The Foundation maintained its close working relationship with the Western Canada Lottery Corporation and continued to work co-operatively to meet the public's demands for new and exciting games. During this fiscal year "Daily Deal", an on-line daily lottery game, was introduced as were 13 exciting new instant tickets and two special event tickets.

The MLF also experimented with new breakopen product lines introducing 12 tickets with varying prize payback levels. The "fun" factor of playing breakopen games was aided by the increase in variety which resulted in increased consumer interest for this important community fundraising program.

While we have accomplished much this past year, opportunities still remain for improvements in productivity and the quality of work, customer service, financial performance and innovation in products and services.

Future productivity gains are expected to be made through many small steps, rather than through several large ones. Many of the changes required to effect improvements will result from the fresh ideas and approaches generated by the staff of the MLF.

"The MLF has been a leader in changing the face of gaming in Manitoba."

In the short time that I have been the General Manager, I have been impressed by the genuine desire of all employees to excel at all levels and in every part of the MLF.

It is, after all, through the loyalty and dedication of the many people comprising the MLF that the challenges created by new technologies, maturing products and markets will be met.

William Funk
General Manager

Lottery Tickets

The MLF is an active partner in the Western Canada Lottery Corporation (WCLC), a regional marketing organization responsible for the development and conduct of lotteries in the Prairie provinces and Territories. Manitoba, Saskatchewan and Alberta participate as full members in the WCLC, while the Yukon and Northwest Territories are associate members.

The MLF is the sole distributor of lottery products in Manitoba and is responsible for the development and maintenance of an effective retailer network for the sale of lottery tickets. Currently, 1168 retailers participate in the network and assist the MLF in providing lottery product throughout the province.

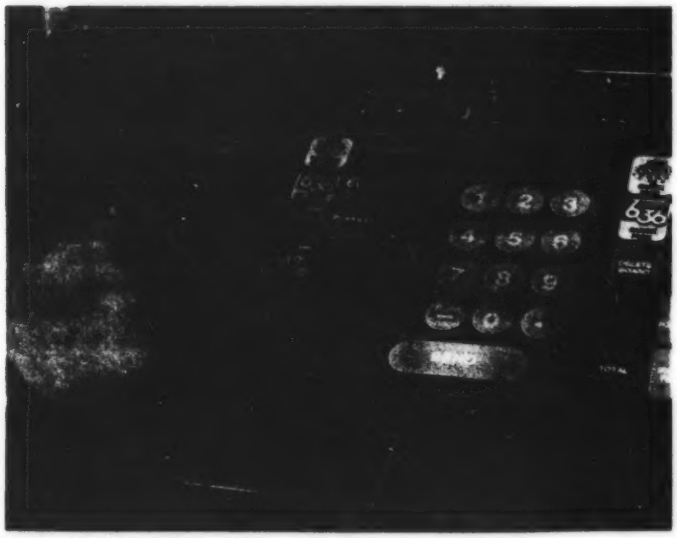
The retailer network is a vital link between the MLF and its customers.

The retailer network is a vital link between the MLF and its customers. To assist the retailers in providing quality service and current product information to lottery ticket buyers, the MLF offers a number of programs. The retailer training program, "Components for Winning", produced by the WCLC and delivered by the MLF, is designed to assist retailers in improving their sales and profit levels. Other courses provided cover product information and operation of lottery terminals.

In March, the MLF also hosted "Making Good Things Happen in the 90's", the second annual Lottery Retailer's Convention, an informational and motivational event that attracted over 300 Manitoba retailers.

Working in conjunction with the WCLC, the MLF participates in the development of exciting new lottery products and merchandising programs. During the year, 13 new instant tickets were introduced including Winner's Circle, Fun 'N the Sun and Winner Wonderland. For the first time, the WCLC offered players a daily on-line lottery game, the "Daily Deal".

The MLF played an important role in the implementation and review of a new type of lottery product featuring sports gaming elements. Market research included a limited operational test of "Power Play" in Manitoba and saw an enthusiastic player response to sports theme lottery games. This led to the development of the Sport Select series, to be introduced in the next fiscal year.

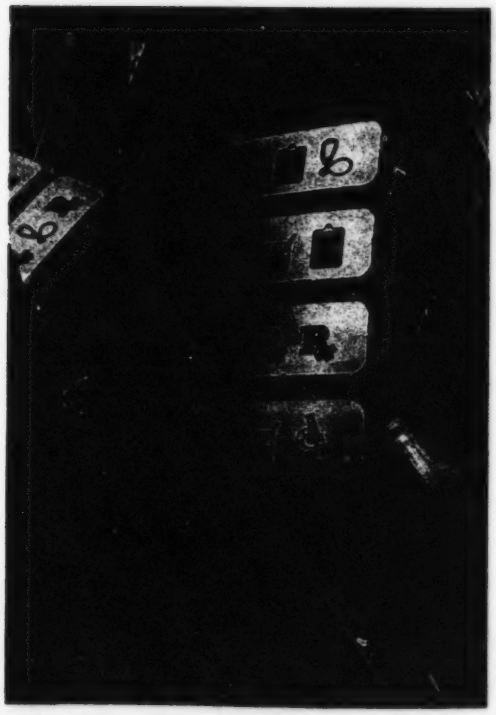


Breakopen Tickets

The MLF made dramatic changes in the design concepts and marketing of breakopen tickets this year resulting in a turnaround in declining sales in the province. A ten percent sales increase in the last quarter offers tangible proof that breakopen ticket marketing initiatives have resulted in new interest in this long-standing product.

Breakopen tickets are a source of instant fun and cash prizes for players. The MLF continued to be a clear frontrunner in Canadian gaming with the introduction of market-specific theme tickets, multiple-win games and pacesetting ticket design.

The breakopen ticket sales network is unique in Manitoba. Tickets sold at hotels, cabarets and lounges benefit Manitoba Medical Research while proceeds go directly to the non-profit organization selling the breakopen tickets at MLF-operated bingo halls, licensed bingo events and special events.



Garry Dunbar

This year saw an expansion of the Manitoba Medical Research network from hotels exclusively to include sales outlets in cabarets and lounges. To emphasize that the profits from breakopens sold in these locations go to medical research, a new theme ticket named "Medi Cash" was introduced. Unique in Canada and one of nine new games introduced this year, Medi Cash shows players the connection between ticket sales revenue and its beneficiaries.

Other theme tickets, such as "Heart of Gold", were added to the breakopen product line to stimulate customer interest and serve as promotional tools for specific seasons or events. This will extend to the following year with the introduction of the theme ticket "Blue and Gold" to be sold at Winnipeg Blue Bomber home games and by licensees.

Breakopen tickets are a source of instant fun and cash prizes for players.

Setting the pace in game concepts, another first for the MLF was a multiple-win ticket coupled with a criss-cross game, aptly named "Codename: Criss-Cross". Both concepts have proven very popular with consumers.

The MLF is placing increased emphasis on the development, design and testing of new breakopen products with an increase from 21 products in 1989-90 to 35 in the next fiscal year.

Bingo Halls

A perennial favourite in the gaming industry, bingo's enduring popularity makes it an ideal fundraising venue for non-profit organizations.

In Winnipeg, the MLF operates two bingo halls - Bonanza Bingo with a capacity for 850 players and Pot o' Gold Bingo which can accommodate 950 players. Profits from both halls are channelled directly into the community through Umbrella groups which - through the Lotteries Distribution System - coordinate participation in bingo events by organizations within their jurisdictions. Volunteers from these non-profit organizations assist MLF staff with the operation of the bingo events.

Bingo's enduring popularity makes it an ideal fundraising venue for non-profit organizations.

Open all but seven days of the year, MLF-operated halls hosted 1890 bingo events in 1989-90. These included Share the Wealth bingos - in which the size of the cash prize depends on the number of players.

While bingo has existed in its present form for many years, new technologies are emerging that may change how the game is played in the future. In the next fiscal year the MLF will be reviewing the advances made in the field of bingo to see whether these new technologies are appropriate to the MLF's objective of maintaining a visually appealing, secure and socially accepted method of playing bingo in a traditional hall.

Whatever the future holds, bingo is sure to remain a key source of funding for the non-profit sector.

Garry Dooker

Crystal Casino

Quiet elegance, intimacy, customer service, and attention to detail are the hallmarks of the MLF Crystal Casino, located in Winnipeg's historic Hotel Fort Garry.

The Crystal Casino, Manitoba's first year-round casino, opened its doors to the public December 29, 1989. Based on the European model, the casino is both "classically continental" and uniquely Canadian in concept, and is the first of its kind in Canada.

The casino offers approximately 380 playing positions. There are 24 table games including Baccarat, Roulette, and Blackjack and 175 exciting and colourful slot machines featuring Keno, Reel, Roulette and Video Poker either as stand alone games or in progressive jackpot links. In addition, it offers the European table game La Boule, making its first appearance in North America.

More than 150 full-time employees staff the casino, including dealers, inspectors, security staff, slot machine personnel and cashiers, as well as hosts and hostesses.

The Crystal Casino replaces all casino events previously held in the province, both urban and rural, with the exception of The Pas, which hosts an MLF-operated casino in conjunction with its winter Trappers' Festival.

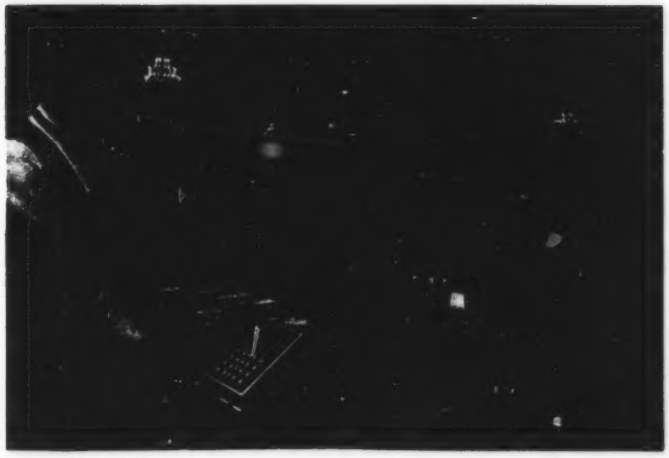
The 1170 square metre facility has the capacity to hold 700 guests at any one time. The casino has received enthusiastic customer support with attendance in the first three months of operation averaging 1450 guests daily, about twenty-five percent of whom were tourists.

Profits from the casino are anticipated to reach ten million dollars in the first full year of operation, designated exclusively for the Health Services Development Fund for health promotion and disease prevention initiatives.

The Crystal Casino is Canada's premier casino.

Without question, the Crystal Casino is Canada's premier casino. Because it represents a major innovation in the Canadian gaming industry, its success is being closely watched by other provincial jurisdictions. The MLF is confident that the casino will continue to set both the pace and the standards for other casino operations in this country.

Gerry Kopelow



Gerry Kopelow

Security And Licensing

The Manitoba Lotteries Foundation sets the pace in gaming security.

Behind the elegance of the casino and the fun and excitement of bingo, lottery tickets, and other games of chance, MLF security and licensing staff ensure the integrity of all MLF-licensed gaming activities in the province.

Licensing staff perform a regulatory and consultative function within the MLF. They ensure fair and equitable processing of lottery license applications and provide consultation to community groups seeking to raise funds through gaming. Staff clarify licensing and financial reporting requirements for non-profit groups to assist them in the efficient operation of licensed events. The MLF is the only regulatory gaming agency in Canada to provide a consulting service to the community.

Community interactions were strengthened during the year by holding community meetings with licensees to exchange ideas about products, operations and licensing requirements. The introduction of a newsletter, "The Gaming Consultant", early in the next fiscal year will provide another information link between the licensee and the MLF.

The MLF played a key role in the establishment of Canada's first Indian gaming commission by The Pas Indian Band. This precedent-setting agreement, signed January 9, 1990 marks an important milestone for gaming regulation in Manitoba and will serve as a foundation for discussions with other interested Indian Bands.

When participating in gaming activities, consumers have the right to expect both game integrity and personal security. MLF security ensures the protection of all MLF products, operations, and facilities through professional staffing and modern technology. Routine inspections of gaming equipment and investigations of irregularities and complaints give Manitobans the assurance that our gaming industry offers maximum game integrity and appropriate security.

At its best, security is effective and discreet. The Crystal Casino's security is comprised of state-of-the-art surveillance technology and safety and security systems. Even behind the scenes, the MLF sets the pace in gaming security.

Enriching The Lives Of Manitobans

Since 1984, gaming revenue from the MLF has funded hundreds of non-profit community-based organizations. Each year, thousands of lives are enriched through the efforts of dedicated individuals working together, with the help of lottery profits, to make Manitoba a better place to live.

This year's goal was to "make lottery dollars work better for all Manitobans".

A comprehensive Needs Assessment Review was completed and revisions to the Lotteries Distribution System were announced in May, 1989. A better funding system was introduced, designed to be more flexible, accountable, and accessible.

Gaming revenue in Manitoba continues to support multicultural, heritage, recreational, community service, arts, sports and health-related programs. New funding areas, such as conservation projects, and a wider selection of community support programs, are now included in the funding system.

The Lotteries Distribution System funds organizations through a cooperative effort of government departments, funding Umbrellas and community support programs. Funding Umbrellas are large, representative bodies which distribute gaming revenue to groups which fall within their jurisdiction. Community support programs include community service organizations and major tourism events. Revenue is also utilized directly by gover ment departments for their program areas.

Profits from our new casino facility, the Crystal Casino, are designated to go to the Health Services Development Fund. This new fund was created to reduce long term health care costs in the province through innovative programming, health promotion and disease prevention and equipment acquisition.

A better funding system was designed to be more flexible, accountable, and accessible.

Through the sale of lottery and breakopen tickets; the operation and management of Pot o' Gold and Bonanza Bingo Halls, and the Crystal Casino; and the licensing of gaming activities such as bingos and raffles; gaming revenue enriches the lives of Manitobans and helps make "good things happen" in our province.

Garry Kapelus

Lotteries Distribution System 1989/90

DEPARTMENT OF HEALTH

- ▶ Health Services Development Fund
- ▶ Medical Research
- • Manitoba Health Services Commission
- • Children's Hospital Research Foundation
- • Manitoba Health Research Council

DEPARTMENT OF NATURAL RESOURCES

- ▶ Conservation Projects

DEPARTMENT OF CULTURE, HERITAGE & RECREATION

- ▶ Manitoba Arts Council*
- ▶ Manitoba Heritage Federation*
- ▶ Multicultural Grants Advisory Council*
- ▶ Manitoba Community Services Council*
- ▶ Special Recreation Projects
- ▶ Manitoba Community Places Program

DEPARTMENT OF INDUSTRY, TRADE & TOURISM

- ▶ Manitoba Sports Federation*
- ▶ Sport Directorate
- ▶ Fitness Directorate

DEPARTMENT OF NORTHERN AFFAIRS

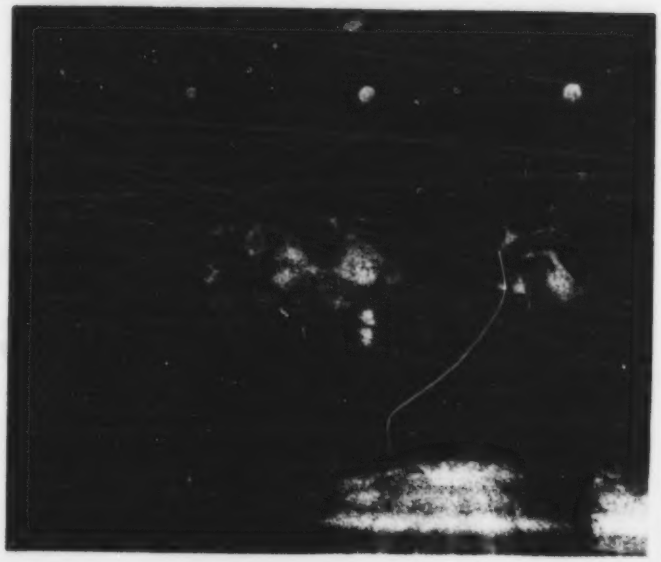
- ▶ Recreation Funding

COMMUNITY SUPPORT PROGRAMS

- ▶ Red River Exhibition, Festival du Voyageur, Folk Arts Council of Winnipeg, Winnipeg Blue Bombers Football Club, United Way, Manitoba Community Education Association, Winnipeg Fury, Manitoba Stampede

* Funding Umbrellas

Manitoba Sports Federation



Bruce Monk

Gary Schwartz

Financial Section

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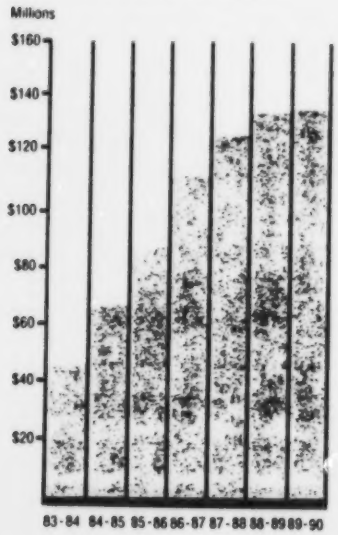
Financial Review

This review presents data and comments on the MLF's financial position and results of operations for the fiscal year 1989-90. It should be read in conjunction with the financial statements which follow.

The MLF recorded net income of $54.3 million for the fiscal year ended March 31, 1990. This was $2.7 million or 4.7% below the net income achieved in the previous year.

MLF LOTTERY SALES



Net lottery revenue declined by $1.0 million or 2.2%. The Canadian lottery industry is reaching a mature state and Lotto 6/49, with sales accounting for over 50% of total lottery sales, has reached a plateau. While the Western Express and Lotto 6/36 were in decline, the introduction of 13 exciting new instant tickets like "Fun 'N The Sun" and "Winner Wonderland", the introduction of "Daily Deal", a new on-line lottery game and the full-year impact of "The Plus" introduced in August 1988, resulted in marginal sales increases of $1.2 million. With lottery prices staying constant while inflation continues to drive up expenses, the profitability of each unit sale is being eroded year by year. Also, it is likely that future revenues will cost more and require greater management effort.

The MLF continued its direct involvement in the distribution of breakopen tickets and bingo paper.

The decline in sales of breakopen tickets experienced since 1985 was halted during the last fiscal year. The introduction of a variety of products such as the "Medi Cash", "Jackpot", and "Heart of Gold" series as well as "Big Five-O", "Hat Trick", "Codename: Criss-Cross" and "Manitobucks" with their varying prize payback levels, have resulted in increased consumer interest.

Lottery Sales ($Million)

PRODUCT	1989-90	1988-89	INCREASE/(DECREASE)	%
Western Express	$6.5	$9.1	($2.6)	($28.7)
Provincial	5.3	5.6	(0.3)	(4.7)
Super Loto		0.2	(0.2)	
Instant $1	26.0	23.9	2.1	8.7
Instant $2	9.8	8.9	0.9	9.8
Lotto 6/49	68.1	68.5	(0.4)	(0.5)
Lotto 6/36	3.8	5.2	(1.4)	(26.5)
Special Event	2.5	3.1	(0.6)	(17.8)
The Plus	9.5	6.9	2.6	37.5
Daily Deal	1.1		1.1	
	$132.6	$131.4	$1.2	0.9

Bingo paper sales increased from $2.1 million to $2.4 million, a 12% increase. This reflects the continued popularity of bingo as a form of entertainment. The creation of The Pas Indian Band Gaming Commission with its attendant utilization of MLF bingo paper product has increased sales this fiscal year and will continue to do so in future years.

Direct expenses associated with selling breakopen tickets and bingo paper increased by $35,000 which resulted from increased freight charges and the transfer of a salaried position previously accounted for in the security and licensing section.

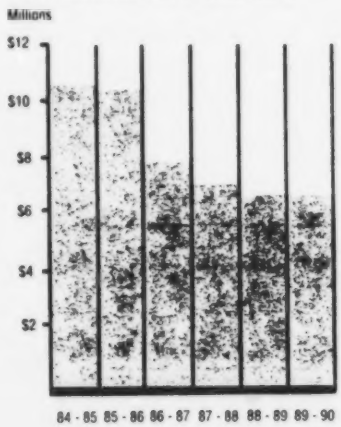
The net revenue generated by the MLF's two bingo halls in Winnipeg located at 427 McPhillips Street and 970 Nairn Avenue increased by $.5 million or 12.6% to $4.6 million. While average attendance at evening bingo has remained fairly constant over the last year at both MLF halls, attendance at matinee bingo has increased by 19% over the same period. Per capita spending at both evening and matinee bingo increased only marginally at 3%. Direct expenses associated with the operation of the two bingo halls increased only 1.2%. Charitable community organizations were scheduled through funding Umbrella groups to participate at specified bingos. The organizations provided volunteers to assist in the operation of bingo events and earned funds directly from those events.

During the 1988-89 year the MLF operated the Casino at the Centre located in the Winnipeg Convention Centre. This casino operated a total of 90 days (two nine week segments, Tuesday to Saturday). Casinos were also operated in 25 other locations outside the City of Winnipeg representing 105 days of operation.

On December 29, 1989 the Crystal Casino, a year-round operation, was initiated. During the 1989-90 fiscal year only one rural casino was held and the operations of the Casino at the Centre discontinued.

The Crystal Casino's net revenue for the first three months of operation (January 1-March 31, 1990) amounted to $2.9 million and attendance totalled 114,000 guests. However, $1.4 million of one-time and start-up costs associated with the casino prior to its opening, reduced net casino revenue to $1.5 million. The major components of those costs related to staff salaries and training and obligations for leases associated with the former operation of the Casino at the Centre.

MLF BREAKOPEN SALES



Organizations may raise funds directly through MLF-licensed events: bingos, breakopen ticket sales, calcuttas, Monte Carlos, raffles (with prizes over $3,000) and media bingo. Overall gross revenue generated by licensed lotteries increased from $99 million in fiscal 1988-89 to $107.8 million this fiscal year. This is an $8.8 million or 8.9% increase. Bingo revenue increased $7.1 million or 14.1% (from $50.4 million to $57.5 million). Breakopen revenue decreased $1.2 million or 2.9% (from $41.7 million to $40.5 million). Raffle revenue increased $2.8 million or 41.2% (from $6.8 million to $9.6 million).

As a result of the increases in bingo, raffle and calcutta revenue, the license fees collected by the MLF increased by $148,605. Coupled with a reduction in expenses of $49,694 from the previous fiscal year, the net license fee revenue of $186,136 represents a significant improvement over that of the previous year.

General and administration expenses increased only $87,523 or 2.9% in total from that of the previous fiscal year. The increase in advertising and promotion expense of $48,543 resulted primarily from supplying promotional sports bags to the Manitoba Special Olympics, the Manitoba Society of Seniors 55+ Games, and the Manitoba Winter Games. Board of Directors expenses increased as a result of holding community relations meetings, an increase in the frequency of licensing meetings to improve response time to license applicants, and meetings resulting from the operation of the Crystal Casino. The increase of $23,709 in postage, telephone and telex charges arose primarily as a consequence of converting a portion of warehouse space at 830 Empress into office space and reorganizing the telephone system at that time. Professional fees decreased by $163,332. The major components of this decrease were reductions in consulting fees related to last year's Needs Assessment Review and market research. Sundry expenses increased largely as a result of demolition work on property owned by the MLF at 484 McPhillips and as a result of charges incurred in personnel recruitment efforts. Computer software and related supplies and general office supplies accounted for the bulk of the increase in the supplies and printing account.

Licensed Events ($Million)

EVENTS	LICENSES	REPORTS	GROSS REVENUE	PRIZES PAID	TOTAL EXPENSES	NET PROFIT
Bingo	683	2,236	$57.5	$41.2	$7.8	$8.5
Breakopen	807	2,499	40.5	26.4	5.2	8.9
Raffle	178	182	9.6	3.9	1.4	4.3
Other	85	87	.2	.2		
Total	1,753	5,004	$107.8	$71.7	$14.4	$21.7

The Manitoba Lotteries Foundation Report Of The Provincial Auditor's Office

Manitoba

We have examined the balance sheet of The Manitoba Lotteries Foundation as at March 31, 1990 and the statements of operations, changes in fund accounts and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Foundation as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting policies stated in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

July 24, 1990
Winnipeg, Manitoba

F.H. Jackson, CA,
Provincial Auditor.

Balance Sheet

March 31, 1990
(In Thousands)

	NOTES	1990	1989
ASSETS			
Current Assets			
Cash	3	$ 7,700	$17,968
Accounts receivable	4	4,183	5,220
Inventories	5	505	590
		12,388	23,778
Fixed Assets	6	8,629	3,496
		$21,017	$27,274
LIABILITIES AND FUND ACCOUNTS			
Current Liabilities			
Accounts payable and accruals	7	$2,753	$939
Due to the Government of Manitoba		4,747	4,609
Due to organizations		4,840	5,809
		12,340	11,357
Accumulated Pension Benefits		1,316	1,041
Fund Account Balances		7,361	14,876
		$21,017	$27,274

See accompanying notes to financial statements.

On behalf of the Board,

Ken Robinson

Director & Chairman of the Audit Committee

Glenda Russell

Director & Chairman of the Board

Statement Of Operations

For The Year Ended March 31, 1990

(In Thousands)

	SCHEDULES	1990	1989
Revenue			
Lottery	1	$44,524	$45,544
Bingo and break-open products	2	4,819	4,971
Bingo halls	3	4,636	4,116
Casino	4	1,529	3,596
License fees	5	186	(12)
Interest income		1,584	1,672
Other income		103	93
		57,381	59,980
Expenses			
General and administration	6	3,073	2,985
Net Income		$54,308	$56,995

See accompanying notes to financial statements.

Statement of Changes In Fund Accounts

For The Year Ended March 31, 1990
(In Thousands)

	CASINO	BINGO HALLS	GAMING	GENERAL	1990	1989
Balance - Beginning of Year	$ -	$ 425	$ 9,451	$5,000	$14,876	$11,493
Net income	1,529	4,636	48,143	-	54,308	56,995
	1,529	5,061	57,594	5,000	69,184	68,488
Less:						
Grants to organizations	11	4,218	27,036	-	31,265	28,658
Allocations to the Government of Manitoba	-	-	30,558	-	30,558	24,954
	11	4,218	57,594	-	61,823	53,612
Balance - End of Year	$1,518	$ 843	$ -	$5,000	$7,361	$14,876

See accompanying notes to financial statements.

Statement Of Changes In Financial Position

For The Year Ended March 31, 1990

(In Thousands)

	1990	1989
Cash provided by operating activities		
Net income	$54,308	$56,995
Non-cash charges to income:		
Depreciation and amortization	728	627
Loss (Gain) on write-offs and retirements	42	(12)
Deferred pension benefits	275	280
	55,353	57,890
Net changes in working capital items	2,936	(619)
Cash provided by operating activities	58,289	57,271
Cash distributions:		
The Government of Manitoba	(30,420)	(24,934)
Organizations	(32,234)	(27,919)
Cash provided by (used in) investment activities		
Purchase of fixed assets	(5,903)	(462)
Increase (Decrease) in cash balance during the year	(10,268)	3,956
Cash balance, beginning of year	17,968	14,012
Cash balance, end of year	$7,700	$17,968

See accompanying notes to financial statements.

Schedule 1 - Net Lottery Revenue

For The Year Ended March 31, 1990

(In Thousands)

		1990	1989
Revenue			
	Lottery sales	$132,601	$131,365
	Less: Cost of sales	86,370	83,884
		46,231	47,481
	Interest and other	1,645	1,118
		47,876	48,599
Expenses			
	Advertising and promotion	96	79
	Depreciation and amortization	37	29
	Health and education tax	22	20
	Postage, telephone and telex	15	12
	Rentals, repairs and maintenance	40	28
	Salaries and benefits	1,001	915
	Sundry	66	28
	Travel	156	153
		1,433	1,264
		46,443	47,335
Payment to the Government of Canada		1,919	1,791
Net Revenue		$44,524	$45,544

Schedule 2 - Net Bingo And Breakopen Product Revenue

For The Year Ended March 31, 1990
(In Thousands)

	1990	1989
Revenue		
Bingo paper sales	$2,367	$2,113
Less: Cost of sales	1,940	1,694
	427	419
Breakopen ticket sales	6,556	6,552
Less: Cost of sales	1,861	1,732
	4,695	4,820
Expenses		
Advertising and promotion	56	59
Cartage	126	109
Depreciation and amortization	4	7
Rentals, repairs and maintenance	47	60
Salaries and benefits	66	25
Sundry	4	8
	303	268
Net Revenue	$4,819	$4,971

Schedule 3 - Net Bingo Halls Revenue

For The Year Ended March 31, 1990

(In Thousands)

		1990	1989
Revenue			
	Bingo paper sales	$11,843	$10,691
	Less: Prizes	7,379	6,628
	Cost of sales	392	368
		4,072	3,695
	Breakopen ticket sales	7,707	6,563
	Less: Prizes	5,327	4,424
	Cost of sales	614	555
		1,766	1,584
	Refreshment concessions	195	217
		6,033	5,496
Expenses			
	Advertising and promotion	51	55
	Depreciation and amortization	144	127
	Health and education tax	12	11
	Rentals, repairs and maintenance	449	448
	Salaries and benefits	549	494
	Security	58	67
	Shortages	98	89
	Sundry	11	64
	Supplies and printing	25	25
		1,397	1,380
Net Revenue		$4,636	$4,116

Schedule 4 - Net Casino Revenue

For The Year Ended March 31, 1990

(In Thousands)

		1990	1989
Revenue			
	Casino	$4,991	$6,952
	Refreshment concessions and other	-	68
		4,991	7,020
Expenses			
	Advertising and promotion	442	144
	Depreciation and amortization	296	261
	Health and education tax	33	50
	Postage, telephone and telex	36	5
	Professional fees	115	-
	Rentals, repairs and maintenance	419	266
	Salaries and benefits	1,575	2,355
	Security	139	94
	Sundry	140	54
	Supplies and printing	207	132
	Travel	60	63
		3,462	3,424
Net Revenue		$1,529	$3,596

Schedule 5 - Net License Fee Revenue

For The Year Ended March 31, 1990

(In Thousands)

		1990	1989
Revenue			
	License fees	$1,019	$870
Expenses			
	Advertising and promotion	6	2
	Depreciation and amortization	7	7
	Health and education tax	16	16
	Salaries and benefits	728	736
	Sundry	1	14
	Supplies and printing	12	60
	Travel	63	47
		833	882
Net Revenue (Loss)		$186	$(12)

Schedule 6 - General And Administration Expenses

For The Year Ended March 31, 1990

(In Thousands)

		1990	1989
Expenses			
	Advertising and promotion	$ 136	$ 88
	Board of Directors	83	56
	Cartage	11	13
	Depreciation and amortization	240	197
	Health and education tax	36	34
	Pension	302	279
	Postage, telephone and telex	135	111
	Professional fees	86	249
	Rentals, repairs and maintenance	247	228
	Salaries and benefits	1,528	1,539
	Sundry	144	110
	Supplies and printing	103	69
	Travel	22	12
Total Expenses		$3,073	$2,985

Notes To Financial Statements

For The Year Ended March 31, 1990

1. Establishment of the Foundation and Nature of Operations

The Manitoba Lotteries Foundation was established by the Manitoba Lotteries Foundation Act.

The Manitoba Lotteries Foundation as an agent of the Government of the Province of Manitoba, is responsible for the overall conduct and management of all lottery schemes in Manitoba, except for raffles with prizes under three thousand dollars. The Foundation may issue licenses to organizations to hold lottery schemes, in which case the Foundation carries out a supervisory and compliance control.

The Foundation works co-operatively with the Western Canada Lottery Corporation (W.C.L.C.) and sells and distributes all lottery tickets in Manitoba. W.C.L.C. is responsible for designing lottery games, printing lottery tickets, determining winning numbers, paying out prizes, as well as other administrative responsibilities as determined by the member provinces.

The Manitoba Lotteries Foundation conducts and manages bingo and breakopen ticket lotteries at two bingo halls. The Foundation also conducts and manages the Crystal Casino and rural casinos in the Province of Manitoba.

2. Significant Accounting Policies

(a) Revenue and expenses recognition

Revenue and expenses are recorded on an accrual basis except for licensing revenue, which is recognized on a cash receipts basis and lottery revenue which is recorded as of the date of the draw.

(b) Fixed assets and depreciation

Fixed assets are recorded at cost.

Furniture, automotive and other equipment are depreciated on a straight-line basis over 5 years.

Building is depreciated on a straight-line basis over 20 years.

Leasehold improvements are amortized over the term of the lease.

Notes To Financial Statements

For The Year Ended March 31, 1990

(c) Pension costs

Employees and officers of the Foundation are pensionable under the Civil Service Superannuation Fund (the Fund) and make contributions to the Fund at prescribed rates. The Foundation is required to pay 50% of the pension disbursements made to retired employees. It is the policy of the Foundation to charge to administrative expense the employer's portion of pension benefits earned by employees. This is calculated in accordance with a formula contained in the actuarial report prepared as of December 31, 1986.

(d) Fund accounts

The Foundation maintains specific fund accounts in order to recognize restrictions placed on the use of resources. The Balance Sheet combines the assets and liabilities of all the funds.

(i) Gaming fund

The Gaming fund account reflects the revenues and expenses of all lottery operations, except for casinos and bingo halls.

The funds in this account are payable and/or transferrable to charitable community organizations through designated Umbrella groups and to designated departments of the Government of Manitoba.

(ii) Casino fund

The Casino fund account reflects the revenue and expenses of the casinos operated by the Foundation. The Casino fund account is charged with all the direct expenses of operating the casino. There is no allocation of indirect expenses. The funds are payable to the Health Services Development Fund of the Government of Manitoba.

(iii) Bingo hall fund

The Bingo hall fund account reflects the revenue and expenses of the Bingo halls operated by the Foundation. The Bingo hall fund account is charged with the direct expenses of operating the Bingo halls. There is no allocation of indirect expenses.

The funds are payable to Umbrella groups and/or community organizations that participated in the Bingo events.

(iv) General fund

The General fund account reflects $5,000,000 retained by the Foundation for working capital and investment in fixed assets.

Notes To Financial Statements

For The Year Ended March 31, 1990

3. Cash

Consists of cash as well as term deposits with the Minister of Finance.

(In Thousands)

	1990	1989
Cash	$ 4,200	$ 1,768
Term deposits	3,500	16,200
	$ 7,700	$17,968

4. Accounts receivable

(In Thousands)

	1990	1989
Western Canada Lottery Corporation	$3,529	$4,232
Trade	233	541
Accrued interest	58	201
Miscellaneous	363	246
	$4,183	$5,220

5. Inventories

Inventories are valued at the lower of cost or net realizable value.

(In Thousands)

	1990	1989
Lottery tickets	$ 11	$ 6
Bingo paper	257	144
Breakopen tickets	237	440
	$505	$590

Notes To Financial Statements

For The Year Ended March 31, 1990

6. Fixed Assets
(In Thousands)

	COST	ACCUMULATED DEPRECIATION AND AMORTIZATION	1990 NET BOOK VALUE	1989 NET BOOK VALUE
Land	$1,345	$ -	$1,345	$ 1,345
Furniture and equipment	5,439	1,498	3,941	860
Building	1,758	332	1,426	1,061
Leasehold Improvements	2,781	864	1,917	230
	$11,323	$2,694	$8,629	$3,496

7.Accounts payable and accruals
(In Thousands)

	1990	1989
Casino jackpot	$ 123	$ -
Western Canada Lottery Corporation	32	134
Trade	1,760	347
Government of Manitoba	838	458
	$2,753	$939

8. Payment to Government of Canada

Effective January 1, 1980 the Government of Canada terminated its involvement in lotteries. In return, the ten provinces are to contribute an annual sum of $24,000,000 adjusted for inflation to the Federal Government. The Province of Manitoba's share for the 1990 fiscal year is $1,919,009 (1989 - $1,791,169).

Notes To Financial Statements

For The Year Ended March 31, 1990

9. Lease obligations and commitments

a) The future minimum rental payments relating to operating leases are as follows:

(In Thousands)	
1991	$ 434
1992	351
1993	243
1994	219
1995	132
Subsequent years	0
	$1,379

A significant portion of the leases are for facilities or rental of equipment.

b) No obligations under capital leases exist.

c) As at March 31, 1990, the Foundation has outstanding commitments mainly relating to renovations and upgrading of property and equipment amounting to approximately $245,205 (1989 - $386,133).

10. Contingencies

Various legal actions have been commenced against the Foundation and the Foundation or its insurers are defending against all claims. While the outcome of these claims cannot be determined, management is of the opinion that the outcome of these actions will not have a material adverse effect on the Foundation's financial position.

No provision has been made in the accounts of the Foundation in respect to these claims as at March 31, 1990.

11. Comparative figures

Certain comparative figures have been reclassified so as to conform with the presentation adopted in 1990.

Board of Directors
April 1, 1989 to March 31, 1990

Mrs. Glenda Russell
Chairman
Winnipeg

Maurice Dieleman
Vice Chairman
resigned May 1, 1989
Winnipeg

Lee Parrott
Vice Chairman
appointed May 1, 1989
Winnipeg

Nellie Aiken
Winnipeg

Ruth Cade
Winnipeg

Emily Kamopedias
Winnipeg

Gordon Mitchell
Elm Flon

Howard W. Robinson
Winnipeg

Jane Smith
Winkler

Bob Solmundson
Winnipeg

Bob Swain
resigned September 1989
Morris

Bill Walton Sr.
Brandon

MANITOBA LOTTERIES FOUNDATION

GAMING REVENUE DISTRIBUTION 1989-90

Since 1984, gaming proceeds have been distributed to Manitoba's non-profit community organizations through the Lottery Funding System.

1989-90 represented a year of transition for the Lottery Funding System. In May of 1989, following two years of an extensive Needs Assessment Review, revisions to the System were announced. Changes to the Lottery Funding System are essentially in the way lottery revenues are administered, *not* a change in the overall philosophy of how the monies are spent.

In 1989-90, funding commitments were extended to four new areas–health and medical research, conservation, recreation and new groups which had been unable to access the system in the past.

The new system, which took effect April 1, 1990, makes lottery revenue more accountable to the people of Manitoba. Ministerial responsibility is clear and recipients will be subject to the same public scrutiny as all government departments as the revenue will go through the estimates process.

Gaming Revenue Distribution financial data inside.

Funding Umbrellas

Funding Umbrellas are organizations, designated to distribute lottery revenue on behalf of the provincial government to non-profit community organizations in Manitoba. Each funding Umbrella represents a number of smaller, community organizations that share common goals or objectives. Manitoba's system is based upon the input of these community organizations, an integral part of a system which improves the quality of life for all Manitobans.

The Arts Umbrella

The **Manitoba Arts Council** is the designated Umbrella organization for the arts. Lottery revenues are shared on a 75/25% ratio between the Manitoba Arts Council and its lottery allocations committee, the Manitoba Arts Gaming Fund Commission.

The Manitoba Arts Council, an agency of the Province of Manitoba, is directed by 15 government-appointed members. Its broad mandate is to promote the study, enjoyment, production and performance of works in the arts.

The Council provides support to professional arts organizations and to individuals in dance, music, theatre, and the visual and literary arts. Specific criteria are outlined in its more than 40 program guidelines.

The **Manitoba Arts Gaming Fund Commission** operates under the mandate of the Manitoba Arts Council.

All of the funds distributed by the Manitoba Arts Gaming Fund Commission are gaming-based.

The Commission applies its portion of the revenues towards capital projects, special endeavours, tours, deficit reductions and aspects of operations.

A broad range of not-for-profit charitable arts organizations including professional arts organizations, provincial art associations, and community amateur arts groups may apply to the Commission.

Manitoba Arts Council
525-93 Lombard Avenue
Winnipeg, Manitoba R3B 3B1
(204) 945-2237

The Community Services Umbrella

The **Manitoba Community Services Council** (MCSC) was established in 1984 as a funding Umbrella of the Lottery Funding System.

The role of its volunteer board is to allocate funds and/or gaming events to Manitoba organizations qualifying as participants under this Umbrella.

Projects and services of non-profit community service, social service, recreation and health-related organizations fall under the Council's Umbrella.

MCSC guidelines are broad in order to respond to the changing needs of Manitoba communities.

Community Services Council
405-5 Donald Street
Winnipeg, Manitoba R3L 2T4
(204) 475-3728

The Heritage Umbrella

The **Manitoba Heritage Federation** was established in 1985 as the funding Umbrella responsible for distributing gaming revenue to organizations or individuals whose aims are to preserve Manitoba's heritage. The Federation promotes, encourages, develops and preserves a forum in which organizations can share their common interest in Manitoba's heritage. Grants are extended to the heritage community for the continued development and promotion of heritage projects and programs throughout the province.

Manitoba Heritage Federation
434-167 Lombard Avenue
Winnipeg, Manitoba R3B 0T6
(204) 943-4568
Toll-Free 1-800-782-0399

The Multicultural Umbrella

The **Multicultural Grants Advisory Council** (MGAC) became responsible for processing grant applications from Manitoba's multicultural community organizations on September 1, 1989. Formation of the Council was announced in May 1989 as part of a broad revision to the distribution of gaming revenue.

The Council is committed to the support of Manitoba's diverse multicultural community. The volunteer nature of the board assures members are dedicated supporters of the ongoing development of Manitoba's multicultural fabric.

Multicultural Grants Advisory Council
410-177 Lombard Avenue
Winnipeg, Manitoba R3B 0W5
(204) 942-5362

The Sports Umbrella

The **Manitoba Sports Federation** is the designated funding Umbrella for amateur sport in the province. It represents 96 associations ranging from sport governing bodies such as the provincial hockey and swimming associations to regional sport organizations.

The mandate of the MSF is to encourage participation in sport at all levels of skill and to develop athletes of a national and international calibre. The Federation also plays a major role in the advocacy and promotion of amateur sport in Manitoba.

Manitoba Sports Federation
200 Main Street
Winnipeg, Manitoba R3C 4M2
(204) 985-4000

Funds Allocated to the Province of Manitoba and Organizations for the year ended March 31, 1990

	GAMING FUND	BINGO HALLS	1989-90 TOTAL	1988-89 TOTAL
DEP'T OF HEALTH	$3,433,000	$ ------	$3,433,000	$ ------
-Manitoba Health Services Commission	92,589	------	92,589	94,250
-Children's Hospital of Winnipeg Research Fdn.	416,650	------	416,650	------
-Manitoba Health Research Council	1,947,306	------	1,947,306	1,211,126
-Manitoba Health Sciences Centre	22,493	------	22,493	424,126
DEP'T OF NATURAL RESOURCES				
-Conservation Projects	500,000	------	500,000	------
DEP'T OF CULTURE, HERITAGE & RECREATION	20,849,569	------	20,849,569	19,496,281
-*Manitoba Arts Council	5,530,311	135,937	5,666,248	5,477,729
-*Manitoba Heritage Federation	677,297	------	677,297	657,570
-*Multicultural Grants Advisory Council/MIC	1,009,205	408,310	1,417,515	1,382,510
-*Manitoba Community Services Council	3,642,506	964,445	4,606,951	4,504,944
DEP'T OF INDUSTRY, TRADE & TOURISM	5,355,096	------	5,355,096	5,199,123
-Sport Directorate				
-Fitness Directorate				
-*Manitoba Sports Federation	7,856,354	2,503,957	10,360,311	9,944,119
COMMUNITY SUPPORT PROGRAMS				
-Red River Exhibition	272,938	------	272,938	264,989
-Festival du Voyageur	272,938	------	272,938	264,989
-Folk Arts Council	242,612	------	242,612	235,546
-Winnipeg Football Club	242,612	------	242,612	235,546
-United Way	2,458,077	------	2,458,077	2,386,483
-Manitoba Community Education Association	1,182,731	205,491	1,388,222	1,338,585
-Winnipeg Fury	75,000	------	75,000	------
-Manitoba Stampede	195,000	------	195,000	------
DEP'T OF COMMUNITY SERVICES	------	------	------	164,100
DEP'T OF FINANCE				
-Lotteries Trust Account	186,493	------	186,493	------
OTHER:				
-Federation of Labour	52,500	------	52,500	77,500
-Rural Casinos	1,092,265	------	1,092,265	251,868
TOTALS	$57,605,542	$4,218,140	$61,823,682	$53,611,384

*Funding Umbrellas

For more information about Where The Money Goes in Manitoba, as of April 1, 1990:

LOTTERIES DISTRIBUTION SYSTEM
201-379 Broadway
Winnipeg, Manitoba
R3C 0T9
Toll-Free 1-800-282-8069 Ext. 0216 or
(204) 945-0216

Manitoba Lotteries...
making good things happen!

For more information about gaming in Manitoba, Contact:

MANITOBA LOTTERIES FOUNDATION
830 Empress Street
Winnipeg, Manitoba
R3G 3H3
Toll-Free 1-800-782-0363 or
(204) 957-2500

The Manitoba Lotteries Foundation is the provincial crown agency responsible for the conduct, management or licensing of gaming activities in Manitoba. The MLF manages and operates the Crystal Casino, Pot O'Gold and Bonanza Bingo halls; distributes BreakOpen and Lottery Tickets; and licenses organizations to operate raffles, bingos, Monte Carlo casinos, calcutta auctions and to sell BreakOpen Tickets.